

**Before the  
Federal Communications Commission  
Washington, D.C. 20544**

In the Matter of	)	
	)	
Verizon Telephone Companies	)	CCB/CPD File No. 02-05
	)	
Petition for Waiver of Section 32.27(c)	)	
of the Commission's Rules	)	

**ORDER**

Adopted: April 12, 2002

Released: April 15, 2002

By the Chief, Pricing Policy Division, Wireline Competition Bureau:

**I. INTRODUCTION**

1. On March 1, 2002, the Verizon telephone companies (Verizon) filed a petition for waiver of the affiliate transaction rules,<sup>1</sup> as codified in section 32.27 of the Commission's rules.<sup>2</sup> Specifically, Verizon seeks permission to use fully distributed cost to value services provided to Verizon by two administrative affiliates, Verizon Corporate Services Group Inc. and Verizon Services Organization Inc., while these affiliates provide services to a former affiliate for a limited period of time. No comments were filed. In this order, we grant Verizon's request for a waiver of the affiliate transaction rules.

**II. BACKGROUND**

2. The affiliate transaction rules set forth the procedures that all incumbent local exchange carriers (ILECs), other than average schedule companies, must use in recording transactions between regulated and nonregulated affiliates.<sup>3</sup> Section 32.27 of the Commission's rules requires an ILEC to record transactions for services provided by its affiliated entities at the lower of fully distributed cost (FDC) or fair market value when, as here, no tariff rate, prevailing price, or publicly filed agreement exists. Section 32.27 further allows the ILEC to use fully distributed costs, however, without making fair market value studies, to record services provided by affiliates that exist solely to provide services to members of the ILEC's corporate family.

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<sup>1</sup> Verizon Telephone Companies Petition for Waiver, filed March 1, 2002 (Verizon Waiver Petition). *See Verizon Telephone Companies File A Petition for Waiver of 47 C.F.R. §32.27(c)*, CCB/CPD No. 02-05, Public Notice, 17 FCC Rcd 5085 (2002).

<sup>2</sup> 47 C.F.R. § 32.27.

<sup>3</sup> *See* 47 C.F.R. § 32.27.

3. In its petition, Verizon states that its administrative affiliates exist solely to provide services to members of Verizon's corporate family, and thus they provide these services at fully distributed cost, rather than the lower of fair market value and fully distributed cost.<sup>4</sup> Verizon states that on February 14, 2002, TSI Telecommunication Services Inc., a former Verizon affiliate, was sold to an outside interest.<sup>5</sup> Verizon seeks approval for its administrative affiliates to perform certain services for a transitional period following the sale, for a term not to exceed six months. The services Verizon's administrative affiliates are providing to the purchaser are accounting services and general ledger support. Verizon estimates the cost of these services to be \$70,000 per month.<sup>6</sup>

### III. DISCUSSION

4. The Commission may grant a waiver of its rules for good cause shown.<sup>7</sup> Waiver of the Commission's rules is appropriate only if special circumstances warrant a deviation from the general rule and such deviation will serve the public interest.<sup>8</sup> Finally, a waiver request must be consistent with the principles underlying the rule for which a waiver is requested.

5. Due to the limited duration and scope of these services, we conclude that the burden of requiring Verizon to perform a good faith determination of fair market value for services provided under these circumstances would outweigh any benefits derived from strict adherence to the rules in this specific situation. This request arises from a specific situation involving the sale of one corporate affiliate to an outside third party. We agree with Verizon that the public interest will be served by avoiding the cost to conduct fair market value studies for this relatively minimal service agreement. Accordingly, we grant the petition for waiver of section 32.27(c) filed by Verizon. This waiver is limited to services provided to Verizon by the affiliates listed in the waiver request.<sup>9</sup>

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<sup>4</sup> Verizon Waiver Petition at 2.

<sup>5</sup> *Id.* at 1-2.

<sup>6</sup> *Id.* at 2.

<sup>7</sup> 47 C.F.R. § 1.3.

<sup>8</sup> See United States Telephone Association Petition for Waiver of Part 32 of the Commission's Rules, Order, 13 FCC Rcd 214 (Com. Car. Bur. 1997) (citing *Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164 (D.C. Cir. 1990) (*Northeast Cellular*); *WAIT Radio v. FCC*, 418 F.2d 1153 (D.C. Cir. 1969), *cert. denied*, 409 U.S. 1027 (1972) (*WAIT Radio*)).

<sup>9</sup> This waiver applies to services the administrative affiliates provide to Puerto Rico Telephone Company Inc., Verizon Advanced Data Inc., Verizon Advanced Data-Virginia Inc., and Verizon Advanced Data Services Inc., and the telephone companies listed in Attachment A to Verizon's petition.

**IV. ORDERING CLAUSE**

6. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i), 4(j), 201-205, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 154(j), 201-205, and 218-220, and Sections 0.91, 0.291, 1.3, 1.106, 32.18, and 32.27 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 1.3, 1.106, 32.18, and 32.27, that the Petition for Waiver filed by Verizon IS GRANTED to the extent described above in paragraph 5.

FEDERAL COMMUNICATIONS COMMISSION

Tamara L. Preiss  
Chief, Pricing Policy Division  
Wireline Competition Bureau